



RETIREMENT SYSTEM OF THE CITY OF DETROIT

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MINUTES

Meeting No. 37

Meeting of the General Retirement System Investment Committee

December 10, 2018

A meeting of the Investment Committee of the General Retirement System of the City of Detroit was held on **Monday, December 10, 2018**, at the Retirement System's office at Ally Detroit Center, 500 Woodward Avenue, Suite 3000, Detroit, Michigan. David Sowerby, Chairperson, called the meeting to order at 12:01 p.m. A quorum was present.

ROLL CALL:

Attendance was taken by the Committee's Recording Secretary with the following Committee Members present: David Sowerby (Chairperson), Kerrie L. Vanden Bosch (Vice Chairperson), Doris Ewing (Secretary), June Nickleberry, Robert Rietz, Thomas Sheehan and Kenneth Whipple.

Staff Present: David Cetlinski (Executive Director), Michael VanOverbeke (General Counsel – VanOverbeke, Michaud and Timmony, P.C.), Gail A. Oxendine (Assistant Executive Director), Kevin Kenneally (Deputy Investment Officer) and Kristi Grden (Investment Analyst).

Committee Members Excused: None

Staff Excused: Ryan Bigelow, Chief Investment Officer

Visitors Present: John Naglick, General Retirement System Ex-Officio Trustee

APPROVAL OF AGENDA

Motion #18-37-01: Thomas Sheehan moved to approve the agenda dated Monday, December 10, 2018 as prepared by the Committees' Recording Secretary. Kerrie Vanden Bosch supported. The motion passed unanimously.

APPROVAL OF MINUTES

Motion #18-37-02: Thomas Sheehan moved to approve the Minutes of **Meeting No. 36, held on Monday, October 29, 2018**, as prepared by the Committees' Recording Secretary. Robert Rietz supported. The motion passed unanimously.

Chairperson Sowerby addressed the current calendar year trends and returns.

PRESENTATION:

New England Pension Consultants

Representatives Kristin Finney-Cooke, Kevin Leonard and Kim Kaczor from the Board's Investment Consulting firm, NEPC, discussed the following with the Committee:

- AQR Delta Recommendation
- Raven Asset Based Opportunities Fund IV
 - The Committee will revisit this recommendation after which time NEPC and the CIO performs additional due diligence and analysis.
- October 2018 Flash Report

Presentation materials were provided

Motion #18-37-03: Doris Ewing moved to follow the recommendation of NEPC and Investment Staff to terminate AQR Delta with reallocating 50% of their allocation to Corbin, with the remainder allocated to complementary direct hedge funds TBD. Kenneth Whipple supported. The motion passed unanimously.

- ***Committee member June Nickleberry excused herself from the meeting at 1:41 p.m. and joined the meeting via telephone at 1:45 p.m.***
- ***The Committee recessed for a brief break at 1:45 p.m. and reconvened the meeting at 1:55 p.m.***

PRESENTATION:

Gabriel, Roeder, Smith and Company

Representatives David T. Kausch and Judith Kermans discussed the following with the Board:

- The General Retirement System of the City of Detroit GASB 67 and 68 Accounting and Financial Reporting for Pension Plans of Component I; June 30, 2018
- The General Retirement System of the City of Detroit GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pension Plans of Component II; June 30, 2018
- Funding model tool update

Presentation materials were provided

Re: Review and Approval of the GASB 67 Reports for Component I and II

Resolution Moved By: Committee member Rietz - Supported By: Committee member Sheehan

WHEREAS, the Investment Committee of the General Retirement System of the City of Detroit (Investment Committee) serves in a fiduciary capacity and was established for the purpose of making recommendations to and approving certain actions by the Board of Trustees of the General Retirement System (GRS), and

WHEREAS, pursuant to Section 15.2 of the Eighth Amended Plan of Adjustment (Plan of Adjustment), the Investment Committee shall review and approve, prior to final issuance, all financial reports prepared on behalf of the Retirement System, and

WHEREAS, pursuant to Exhibit I.A. 332 of the Plan of Adjustment, in accordance with MCL Section 38.1133g (3)(f), the Investment Committee is further required to review and approve, prior to final issuance, "the annual audit and all financial reports prepared on behalf of the GRS, and

WHEREAS, the Investment Committee is in receipt of the Government Accounting Standards Board (GASB) Statement Nos. 67 and 68 Accounting and Financial Reporting for Pension Plans of Component I and Component II of the General Retirement System of the City of Detroit for the Fiscal year ending June 30, 2018 as prepared by the GRS actuary, Gabriel Roeder Smith and Company and dated October 31, 2018 (collectively, the GASB 67 and 68 Financial Reports), and

WHEREAS, the Investment Committee has previously received and reviewed the GASB 67 and 68 Financial Reports, and has reviewed them with the actuary, therefore be it

RESOLVED, the Investment Committee hereby approves the GASB 67 and 68 Financial reports, and be it further

RESOLVED, the Investment Committee further recommends that the GASB 67 and 68 Financial Reports be finalized and issued with a copy provided to the GRS Board of Trustees; the GRS Actuary, Plante Moran; and appropriate city and state representatives in accordance with the Plan of Adjustment and corresponding documents, and be it further

RESOLVED, that a copy of this resolution be maintained in the Retirement System records.

Yea: Ewing, Rietz, Sheehan, Vanden Bosch, Whipple and Chairperson Sowerby – 6

Nay: None

DEPUTY-CHIEF INVESTMENT OFFICER'S REPORT

Deputy-Chief Investment Officer, Kevin Kenneally, provided the following updates and discussion items for approval:

- Investment Policy Statement
 - The redlined version is forthcoming
- Funding and re-balance update
- Preliminary 2019 Investment Themes
- 2019 NEPC and Investment Staff Initiatives
 - The 2019 outlook is provided annually at the first meeting of the calendar year.
- 2019 Proposed calendar of meeting dates

-Concludes Deputy CIO's report-

PRESENTATION:

Plante Moran

Representatives Michelle Watterworth and Spencer Tawa discussed the following with the Board:

- Opinion Letter
- Financial Statements
 - Statement of Fiduciary Net Position (Balance Sheet)
 - Statement of Changes in Fiduciary Net Position (Income Statement)
 - Net Position Trend
 - Net Pension Liability Trend
- Communication with Those Charged with Governance-End of Audit Letter
- Unrecorded Possible Adjustments
- Audit Results

Presentation materials were provided

Re: Review and Approval of the GRSD Annual Audit of Component I and II

Resolution Moved By: Committee member Sheehan - Supported By: Committee member Rietz

WHEREAS, the Investment Committee of the General Retirement System of the City of Detroit (Investment Committee) serves in a fiduciary capacity and was established for the purpose of making recommendations to and approving certain actions by the Board of Trustees of the General Retirement System (GRS), and

WHEREAS, pursuant to Section 15.2 of the Eighth Amended Plan of Adjustment (Plan of Adjustment), the Investment Committee shall review and approve, prior to final issuance, all annual audits and actuarial and financial reports prepared on behalf of the Retirement System, and

WHEREAS, pursuant to Exhibit I.A. 332 of the Plan of Adjustment, in accordance with MCL Section 38.1133g (3)(f), the Investment Committee is further required to review and approve, prior to final issuance, "the annual audit and all financial reports prepared on behalf of the GRS, and

WHEREAS, the Investment Committee is in receipt of the Independent Auditor's Report for the year ending June 30, 2018 titled "Combined Plan for the General Retirement System of the City of Detroit Financial Report with Supplemental Information" dated November 26, 2018 as prepared by its auditor, Plante Moran, PLLC (collectively the GRSD Annual Audit, and

WHEREAS, the Investment Committee has previously received and reviewed the GRSD Annual Audit and received a presentation on the audit from appropriate representatives from Plante Moran, therefore be it

RESOLVED, the Investment Committee hereby approves the GRS Annual Audit of the General Retirement System of the City of Detroit for the fiscal year ending June 30, 2018, and be it further

RESOLVED, the Investment Committee further recommends that the GRS Annual Audit be finalized and issued with a copy forwarded to the GRS Board of Trustees, and appropriate City and State representatives in accordance with the Plan of Adjustment and corresponding documents, and be it further

RESOLVED, that a copy of this resolution be maintained in the Retirement System records.

Yea: Ewing, Rietz, Sheehan, Vanden Bosch, Whipple and Chairperson Sowerby- 6

Nays: None

LEGAL REPORT

General Counsel, Michael VanOverbeke, provided the following informational items:

- Audit report acknowledgement
- Acknowledgement of Certification of Special Request/reporting to the Foundation for Detroit's Future
- Lame-Duck Session update
- Gateway Marketplace
 - General Counsel will provide a more formal update at the Board's next meeting in the New Year (February meeting)
- Potential replacement candidate for Independent member Robert Rietz

Motion #18-37-04: Kenneth Whipple moved to acknowledge receipt and concurrence of the Special Reporting Certification and reporting obligations to the Foundation for Detroit's Future. The Committee was not aware of any violations to the plan of adjustment nor to the investment policy statement. Thomas Sheehan supported. The motion passed unanimously.

Public/Member Comments

- None

Old Business/New Business

- Michael Ringuette will be considered as a possible successor to Committee member Robert Rietz. The Committee discussed the matter at length as well as discussed additional individuals who could possibly serve on the Committee. The Committee members will revisit this discussion at the February meeting.
- Selection of Chair and Vice-Chairperson
- McLagan Fact Base Study Compensation Discussion

Motion #18-37-05: Thomas Sheehan moved to nominate Kerrie Vanden Bosch as Chairperson to the General Investment Committee for the term ending December 31, 2019. Robert Rietz supported. The motion passed unanimously.

Withdrawn Motion: Thomas Sheehan moved to nominate Doris Ewing as Vice-Chairperson to the General Investment Committee for the term ending December 31, 2019. The motion was withdrawn by Committee member Sheehan.

Motion #18-37-06: Kerrie Vanden Bosch moved to nominate Kenneth Whipple as Vice-Chairperson to the General Investment Committee for the term ending December 31, 2019. Robert Rietz supported. The motion passed unanimously.

The Committee members adopted the following 2019 Schedule of Investment Meetings:

General Investment Committee Meetings 2019

| <u>DAY</u> | <u>DATE</u> | <u>TIME</u> | <u>LOCATION</u> |
|------------|--------------------|-------------|-----------------|
| MONDAY | FEBRUARY 11, 2019 | 12:00 P.M. | CONFERENCE ROOM |
| MONDAY | MARCH 25, 2019 | 12:00 P.M. | CONFERENCE ROOM |
| MONDAY | MAY 06, 2019 | 12:00 P.M. | CONFERENCE ROOM |
| MONDAY | JULY 15, 2019 | 12:00 P.M. | CONFERENCE ROOM |
| MONDAY | SEPTEMBER 16, 2019 | 12:00 P.M. | CONFERENCE ROOM |
| MONDAY | OCTOBER 28, 2019 | 12:00 P.M. | CONFERENCE ROOM |
| MONDAY | DECEMBER 09, 2019 | 12:00 P.M. | TELECONFERENCE |

ADJOURNMENT

There being no further business before the Investment Committee, **Chairperson Sowerby** adjourned the meeting at 3:20 p.m. The Investment Committee's next meeting is scheduled for **Monday, February 11, 2019** at 12:00 p.m. in the Retirement Systems' Conference Room, 500 Woodward Avenue, Suite 3000, Detroit, Michigan 48226.

RESPECTFULLY SUBMITTED,


KEVIN KENNEALLY
DEPUTY-CHIEF INVESTMENT OFFICER

Recording Secretary: TaKneisha Johnson